

PRA Approach to Policy

BSA Response to CP27/23

8th April 2024

 Building Societies
Association

Summary

The BSA welcomes the opportunity to further engage with the PRA on its future approach to policy and are grateful to see many helpful amendments be made to the Approach to Policy document. We agree on the importance of the PRA's independence and ability to set strong standards by taking a long-term view, to provide firms with stability and predictability. The BSA supports the maintenance of strong prudential standards, particularly on capital and liquidity, and continues to believe that well-executed prudential standards are pivotal to economic prosperity for the UK.

We are pleased to see the PRA already delivering on some of its goals, particularly in the stakeholder engagement space and projects to streamline regulatory returns. We are grateful to see further statements outlining the PRA's intention to regulate proportionately and to review policy where it appears that the impact of the regulations is disproportionate to the cost on firms. However, we encourage the PRA to be bold in this work, by putting mutuals at the front and centre of policy development rather than an afterthought. We would also favour a 'one in one out' approach to policy development whereby existing similar rules are reviewed and adapted rather than new rules always being added.

Consultation Response

Firstly, we support the amendments which make it clear that the PRA will take a proactive stance to deliver on its secondary competition and growth objective. We hope that this will include continued evaluation of proportionality in all forms of regulations as part of regular reviews, as well as when creating new policy. There unfortunately have been some recent examples of the PRA designing policies which appear to have been created for PLC banks and have then been applied to the mutuals sector, without full consideration of the necessity of that policy for the sector, as well as the impact the policy would have on the sector compared to banks. We hope that with time, the PRA will continue to embed this objective into their work and appropriately act with regards policy impacting mutuals. We believe the introduction of metrics to measure the impact of policy on the mutual sector could be an option for how to measure this effectively and properly flag issues as they arise.

We agree that a strong commitment to implementing international standards helps the PRA advance its primary and secondary objectives, supporting broader financial stability, and we welcome the recognition that the PRA will need to approach implementation flexibly so as to deliver the best outcomes for the UK with regards international standards. This is particularly the case with regards to the development of policy for Small Domestic Deposit Takers, where the opportunity to have more proportionate regulation is being progressed, and we encourage the PRA to be bold in its policy development.

We are pleased to see the launching of the PRA inbox for stakeholders to submit their views on regulation on an ongoing basis. We hope that this provides an additional channel for raising concerns or submitting proposed resolutions to problems going forward from a broad range of stakeholders.

We continue to work with the Bank of England and the PRA on its work to streamline regulatory returns, and we urge both to be bold in evaluating the benefit of regulatory returns in the first place, the ease of presenting the information, and the level of duplication with other similar regulatory returns.

We welcome news of enhanced scrutiny to the Cost Benefit Analysis process for policy developments and will look forward to the further consultation on this approach. We agree that more can be done to look to existing EU regulations for the opportunity to streamline, simplify and repeal regulations,

and agree that it makes sense for this to be done on an ongoing basis and action to be taken as appropriate. One example of this is Pillar 3 disclosure requirements which could have been reviewed and removed much sooner than has otherwise been the case.

We strongly support the ongoing work to simplify the PRA Rulebook to improve its readability, and would suggest the PRA employ a 'one in one out' for future regulations. What we mean by this is that rather than always developing new regulations and 'bolting them on' the PRA should instead look to review and update existing regulations that cover similar topics. Although the Approach to Policy document does not include a proposal for an opening policy intent, we believe a paragraph outlining the intent of the policy would greatly assist the accessibility of regulation across PRA work.

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We fulfil two key roles. We provide our members with information to help them run their businesses. We also represent their interests to audiences including the Financial Conduct Authority, Prudential Regulation Authority and other regulators, the Government and Parliament, the Bank of England, the media and other opinion formers, and the general public.

Our members have total assets of over £507 billion, and account for 23% of the UK mortgage market and 19% of the UK savings market.